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A. Estimated Cost: The following table gives the expenditures for these forces for 1967 and their importance relative to total military and space outlays.

	(1955 Prices) <u>New Rubles</u>	<u>Billions</u> Percent of Total <u>Ruble Expenditures</u>
Reserves	0.18	0.9
Militarized Security Forces	0.30	1.5
DOSA AF Support	<u>0.05</u>	<u>0.2</u>
TOTAL	0.53	2.6

1. Reserves

Reservists do not receive direct remuneration from the Soviet military establishment for part time training status but do receive one-half of their usual civilian wages or salaries from the civilian establishments that employ them. The cost to the military establishment estimated for reservists is 180 million rubles annually to cover food and clothing while on part-time active duty.

2. Militarized Security Forces

Militarized security forces are a normal complement of the Soviet armed forces and include border, interior, signal, and convoy troops, and elements of the KGB on internal security duty with the Soviet military. The expenditures for these forces are estimated in the same manner as the other Soviet armed forces.

3. DOSA AF Support

Although DOSAAF is reportedly self-sufficient, it is estimated that the Soviet military expenditures include a subsidy of about 50 million rubles per year to cover some of the expenses of this group. The remainder of the funds necessary for the operations of DOSAAF come from member dues, contributions, profits from lotteries, and the like.

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B. Treatment in the Soviet Budget

There is no definitive information on how any of the para-military expenditures are handled in the budget. The militarized security forces are believed to be financed from the General Budgetary Expenditures residual, but this cannot be determined with complete confidence. The other expenditures are believed to be financed from the defense budget itself.

III. Naval Shipbuilding Construction

Shipbuilding construction expenditures (including conversion) are estimated for both major and minor Soviet naval ships. For long lead-time projects (more than one year) the expenditures are phased to correspond as closely as possible to the timing of actual outlays. We believe that these costs are included in the actual outlays. We believe that these costs are included in the defense budget, though this can not be determined with certainty. We estimate that these costs have been running at about a half billion rubles per year during the past several years.

IV. Strategic Stocks

The estimates of total Soviet military and space expenditures do not include expenditures for defense related raw material strategic stocks such as natural rubber, titanium, etc. Little is known about the extent of Soviet activities in this area, but it is believed that the Ministry of Defense does not finance such programs. Levels and fluctuations in inventories of finished military hardware are taken into account in US estimates of total Soviet military outlays.

V. Disaggregation of RDTE&S

A disaggregation of the estimate for RDTE&S outlays is not available at this time. We currently estimate an aggregate expenditure series for research, development, test, evaluation and space activities based on analysis of Soviet budgetary data.

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